

OFFICIAL PROCEEDINGS OF THE BOARD OF TRUSTEES CITY OF LANSING POLICE AND FIRE RETIREMENT SYSTEM

Regular Meeting
Council Conference Room
10th Floor, City Hall
Lansing, MI

October 21, 2014
Tuesday, 8:30 a.m.

The Board was called to order at 8:32 a.m.

Present: Trustees Benson, Fabus, Hecksel, Kraus (8:38), Oleson, Wood– 6.
Absent: Trustee Bernero, St. Aubin

Others: Angela Bennett, Karen E. Williams, Finance Department; Attorney Ken Lane, Clark Hill Law Office (representing the Law Department).

It was moved by Trustee Hecksel and supported by Trustee Fabus to approve the Official Minutes of the Police and Fire Retirement System Board Meeting of September 23, 2014.

Adopted by the following vote: 5 – 0

There were no public comments.

Secretary's Report.

0 new fire member(s), 0 new police members, 0 reinstatement(s), 0 refund(s), 0 transfers, 2 retired. Total: Active membership: 331. 4 death(s), Bonita I. Eisele, died 9/6/2014, age 85, spouse of Fire retiree; Mark Holliday, Fire, died 9/18/2014, age 83, no surviving beneficiary; Lawrence Devlin, Fire, died 9/20/2014, age 79, spouse to receive 50%; Marvin W. Stump, Fire, died 9/27/2014, age 84, beneficiary to receive 50%. Refunds made since the last regular meeting amounted to \$0.00. Reimbursements to the System year-to-date amount to \$0.00. Retirement allowances paid for the month of September 2014 amounted to \$2,288,183.61. Total retirement checks printed for the P&F System: 701. Total retirement checks printed for both systems: 1609. Domestic relations order received: 0 Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

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It was moved Trustee Fabus and supported by Trustee Hecksel to approve the following applications for Regular Age and Service Retirements:

Richard A. Reust, Police Department, 25 years of service credits, age 48, effective November 15, 2014.

Adopted by the following vote: 6 – 0.

There were no requests for duty disability retirement.

There were no requests for non-duty disability retirement.

Karen Williams reported the following requests for refund of accumulated contributions: Kedrick Doezema, Police, \$15,277.37; Brenton Listerman, Police, \$2,815.90.

Karen Williams reported from Trustee St. Aubin that he would be out of town and not able to attend the Board meeting. Trustee St. Aubin requested to be excused.

It was moved by Trustee Fabus and supported by Trustee Hecksel to excuse Trustee St. Aubin from the October Police and Fire Retirement Board meeting.

Adopted by the following vote: 6 - 0

Karen Williams reported that Tegrity has completed work on the Calculator Engine technical specifications and have moved on to retirement processes that would include as payroll interface.

Trustee Fabus provided an oral report of the Asset Consulting Meeting due diligence visit. Trustee Fabus was very impressed and appreciated the intensive workshop of the retirement board's portfolio and its asset allocation.

Trustee Hecksel concurred that the due diligence visit was very informative and appreciate the ability to focus on the board's financial portfolio.

Trustee Oleson accomplished a lot by taking an in-depth review of the portfolio and the bond investment discussion.

Trustee Kraus provided an oral report regarding the due diligence visit to Asset Consulting Group and thought that it was a good learning experience.

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Trustee Benson concurred that the due diligence visit was an informative review of the Police and Fire Retirement Board portfolio. Trustee Benson also noted that there was no staff diversity. Trustee Benson mentioned it to the Asset Consulting Group.

Trustee Kraus expressed caution that the Police and Fire Retirement Board could recommend but not force the company's actions.

Trustee Benson provided a written report of his attendance to the I.F.E.B.P. Report. Mr. Benson discussed the workshop that he attended that included issues regarding the Affordable Care Act, the effective use of actuaries and administrative health care cost control.

Karen Williams notified the Police and Fire Retirement Board that the I.F.E.B.P. Annual Conference was held in Boston, a higher cost area. Ms. Williams requested approval for Mr. Benson's meal and travel reimbursement at the higher rate.

It was moved by Trustee Hecksel and supported by Trustee Fabus to approve the meal and travel reimbursement for Mr. Benson.

Adopted by the following vote: 6 – 0

Ms. Williams discussed hotel arrangements for the NCPERS Public Safety Conference October 26 -29 in New Orleans.

Trustee Wood distributed a draft of the Police and Fire Retirement Ordinance. Trustee Wood indicated that the Ordinance requires a public hearing and provided the Council remaining schedule for the year. Trustee Wood explained that subcommittee should meet to review the draft and make a recommendation to the full Police and Fire Retirement Board. The Retirement Board would then make a recommendation to the City Council.

Attorney Ken Lane informed the Board that the City Attorney's Office and the Human Resources Office had reviewed the Police and Fire Retirement Ordinance.

Attorney Ken Lane updated the Police and Fire Retirement System regarding the termination of Robbins Geller Rudman & Dowd. Attorney Lane received a response from Robbins Geller requesting that attend the November Joint meeting to provide information upon the sanctions reported in the news. Attorney Lane informed the law firm to process the termination as the Board requested and he would inform them of the Board's decision regarding the November meeting.

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Attorney Lane indicated that the agreement with the securities monitoring firm stated that upon termination, the Board must receive a letter indicating the all portfolio information for the Police and Fire Retirement System had been destroyed.

The Police and Fire Retirement System discussed and declined Robbins Geller Rudman & Dowd request to attend the November Joint Board meeting.

Attorney Lane reported to the Employees Retirement System Board that Ms. Angela Bennett received a request from the Lansing financial health team working with a group of Michigan State University to review actuarial valuations from prior year. Ms. Bennett contacted legal counsel to review the request. Attorney Lane and Ms. Bennett met with the students and informed them that only the public report valuations would be made available. All of the reports are public records.

Trustee Wood suggested that the Police and Fire Retirement Board make a statement to the Lansing Financial Health Team. Trustee Wood expressed that the Police and Fire Retirement Board are responsible for the contribution and will make decisions on what is best for retirees.

Attorney Lane opined that the Police and Fire Retirement Board has Boomershine Consulting Group as its actuary and would not be bound by any report by the student group. Attorney Lane reported that he contacted both retirement board chairpersons regarding the request.

Ms. Bennett added that the students are working on a project that includes projections and reviewing trends. Ms. Bennett stated that the project is only for the semester and would not go into much depth.

Trustee Benson also expressed concern regarding how the report would be published.

Karen Williams submitted the Northern Trust Custodian Bank SAS 70 Report for review by the trustees per Police and Fire Retirement Board Policy. Ms. Williams reported that the Board generally accepts the report each year after legal and information technology review.

Attorney Ken Lane stated that he will review the SAS 70 Report and provide his recommendation at the next meeting. The Police and Fire Retirement Board will also review the report and discuss at the next meeting. Trustee Oleson referred the SAS 70 report to pending.

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Karen Williams reported that the 2015 annual membership dues for the following organizations: MAPERS, \$100; NCPERS, \$250; and IFEBP, \$835 (split between ERS and Police and Fire Retirement Boards)

It was moved by Trustee Kraus and supported by Trustee Benson to approve the annual membership dues for 2015 and pay the fees from the Board's administrative account.

Adopted by the following vote: 6-0

Karen Williams reviewed the Police and Fire Retirement Board election rules. Trustee Hecksel's last meeting would be December 18, 2014, before his retirement. Ms. Williams provided and discussed a posting for Fire Trustee Election with rules, and dates for election.

Trustee Oleson moved the Asset Consulting Group Investment materials to pending until they can be reviewed by trustees and discussed at the November Joint meeting.

Attorney Lane reported that Asset Consulting Group (ACG) provided a recommendation for the Northern Trust Securities Lending account change. ACG selected Core Plus and Attorney Lane has reviewed the documents for Board approval.

Mr. Gregory Stump, Boomershine Consulting Group provided an overview of the Police and Fire Retirement System Actuarial Valuation as of December 31, 2013. Mr. Stump discussed the current status of the system, reviewing the plan population and the investment experience for 2013. Mr. Stump discussed the unfunded actuarial liability, assets, and city contribution.

Mr. Stump recommended that Police and Fire Retirement Board implement changes to the investment return assumption to 7.5% with a 3.0% inflation assumption and re-set the asset smoothing strategy to recognize pre-2013 gains.

Trustee Hecksel inquired to Mr. Stump regarding the impact of the changes on the city contributions.

Mr. Stump explained that the contribution would increase but at a more gradual rate with the asset smoothing strategy.

Trustee Wood inquired to Mr. Stump what the contributions would be if the investment and interest rate assumptions are not adopted.

Ms. Bennett reviewed the valuation numbers and provided four potential rate assumption change scenarios and its impact on the city's contribution and budget. Ms. Bennett stated that the Police and Fire Retirement contribution was budgeted at \$11.3 million.

Ms. Bennett suggested staging the changes to either the 7.7% with a 3.2% inflation assumption or the 7.6% with 3.1% inflation rate assumption without the asset smoothing. Ms. Bennett recommended no asset smoothing because of concerns for the funding status and impact to retirement systems.

Trustee Kraus discussed an incremental change to the investment and inflation assumptions instead of moving directly to the 7.5% with 3.0% inflation rate assumption.

Trustee Fabus inquired if an incremental change would be harmful to system. Trustee Fabus expressed that his primary concern is the impact of the changes with the Police and Fire Retirement System.

Mr. Greg Stump indicated that an incremental change would not be harmful, but contributions will still need to increase.

Attorney Lane opined that each trustee is a fiduciary to the system. If trustee approve decisions that make it impossible for the city to make it contributions would not be good for the system. Attorney Lane stated that the Police and Fire Retirement System could adopt a higher rate of investment assumption and inflation assumption than recommended by Boomershine Consulting Group. The Police and Fire Retirement System could re-visit changes to the assumption rates.

It was moved by Trustee Hecksel and supported by Trustee Wood to adopt the investment rate of assumption at 7.5% with 3.0% inflation rate assumption with the asset re-set the smoothing for the valuation of December 31, 2013.

Trustee Wood made a friendly amendment that was accepted by Trustee Hecksel to adopt an investment rate of assumption at 7.6% with 3.1% inflation rate assumption with the re-set of the smoothing strategy.

Angela Bennett stated that she looked at retirement contribution as a whole for both board together. Ms. Bennett stated that \$21.2 million was budgeted for both systems. Ms. Bennett stated that if the Employees Retirement System also adopts the 7.5% with 3.0% inflation rate of assumption, the increase in contribution would further increase the city budget.

Trustee Oleson stated that he was more comfortable with the 7.6% with 3.1% inflation rate, and asked for Mr. Stump's opinion.

Mr. Gregory Stump stated that spread is the same and the assumption rates at 7.6% with 3.1% is more conservative than the current assumption. Ms. Stump would support the amendment.

Adopted by the following vote: 6-0

Mr. Stump reviewed the administrative tables that detail factors for optional forms of benefit. Mr. Stump reviewed that the factors for optional forms of benefit. He recommended that current tables better aligned with the updated mortality tables. Mr. Stump stated that the impact of factor will provide a slightly higher benefit for future retirees who are affected. Mr. Stump noted that there would be no direct impact on valuation.

Attorney Ken Lane explained that the chairperson inquired if he could approve new factors for the Police and Fire Retirement Board to assist the Tegrity project. The chairperson sent notification to trustees regarding the change.

It was moved by Trustee Wood and supported by Trustee Hecksel to adopt the 50% Joint and Survivor (non-spousal) factors, retroactive to the chairperson's approval.

Adopted by the following vote: 6 – 0.

Trustee Oleson expressed concern that Police and Fire Retirement Board did not have more time to review the recommendations and asked if the valuation information can be provided sooner.

Ms. Bennett explained that some of the data was delayed due to staffing levels.

Mr. Stump reviewed the funding and contribution outlook. Mr. Stump will send a funding policy for the Board's review.

Karen Williams reviewed the Monthly Investment Report and the Securities Lending Report for the period ending September 30, 2014.

It was moved by Trustee Hecksel and supported by Trustee Fabus to adjourn the meeting.

Adopted by the following vote: 6 - 0

The meeting adjourned at 10:41 am.

Minutes approved on _____

Angela Bennett, Secretary
Police & Fire Retirement System

Robert Oleson, Vice Chairperson
Police & Fire Retirement System